

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Essex Township	County Clinton
Fiscal Year End 03/31/06	Opinion Date 07/05/2006	Date Audit Report Submitted to State 8/18/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

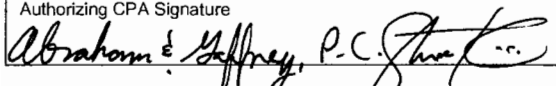
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) ABRAHAM AND GAFFNEY, P. C.		Telephone Number 517.351.6836	
Street Address 3511 COOLIDGE ROAD, SUITE 100		City EAST LANSING	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name STEVEN R. KIRINOVIC	License Number 1101022020

**Township of Essex
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2006

Township of Essex
Clinton County, Michigan
March 31, 2006
BOARD OF TRUSTEES

David Swanson	Supervisor
Florence Benson	Clerk
Patti Warnke	Treasurer
Douglas Eldridge	Trustee
Lynn Ferguson	Trustee

Township of Essex

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Principals

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ABRAHAM & GAFFNEY, P.C.
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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Essex
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Essex, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Essex, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 5, 2006

BASIC FINANCIAL STATEMENTS

Township of Essex
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 85,227
Investments	7,444
Receivables	<u>4,066</u>
Total current assets	96,737
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>10,787</u>
TOTAL ASSETS	107,524
LIABILITIES	
Current liabilities	
Accounts payable	1,048
Accrued liabilities	<u>10,926</u>
TOTAL LIABILITIES	11,974
NET ASSETS	
Invested in capital assets	10,787
Unrestricted	<u>84,763</u>
TOTAL NET ASSETS	<u><u>\$ 95,550</u></u>

See accompanying notes to financial statements.

Township of Essex

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 59,527	\$ 9,187	\$ -	\$ (39,073)
Public safety	18,800	-	-	(18,800)
Public works	55,960	-	3,367	(52,593)
Recreation and cultural	2,300	-	-	(2,300)
Total governmental activities	\$ 136,587	\$ 9,187	\$ 3,367	(112,766)
General revenues:				
Property taxes				59,136
State shared revenue				78,951
Investment earnings				784
Miscellaneous				1,943
Total general revenues				140,814
Change in net assets				28,048
Net assets, beginning of the year				67,502
Net assets, end of the year				\$ 95,550

See accompanying notes to financial statements.

Township of Essex

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2006

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 85,227	\$ -	\$ 85,227
Investments	-	7,444	7,444
Accounts receivable	100	-	100
Due from other funds	731	-	731
Due from governmental units - local	3,965	-	3,965
Accrued interest	-	1	1
TOTAL ASSETS	\$ 90,023	\$ 7,445	\$ 97,468
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,048	\$ -	\$ 1,048
Accrued liabilities	10,926	-	10,926
Due to other funds	-	731	731
TOTAL LIABILITIES	11,974	731	12,705
FUND BALANCES			
Reserved for			
Perpetual care	-	6,714	6,714
Unreserved - undesignated	78,049	-	78,049
TOTAL FUND BALANCES	78,049	6,714	84,763
TOTAL LIABILITIES AND FUND BALANCES	\$ 90,023	\$ 7,445	\$ 97,468

See accompanying notes to financial statements.

Township of Essex

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Total fund balances - governmental funds \$ 84,763

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	13,267	
Accumulated depreciation is	<u>(2,480)</u>	
Capital assets, net		<u>10,787</u>
Net assets of governmental activities		<u>\$ 95,550</u>

See accompanying notes to financial statements.

Township of Essex

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
REVENUES			
Taxes	\$ 59,136	\$ -	\$ 59,136
Intergovernmental	82,318	-	82,318
Charges for services	9,187	-	9,187
Interest	637	147	784
Other	1,943	-	1,943
TOTAL REVENUES	153,221	147	153,368
EXPENDITURES			
Current			
General government	59,047	-	59,047
Public safety	18,800	-	18,800
Public works	55,960	-	55,960
Recreation and cultural	2,300	-	2,300
TOTAL EXPENDITURES	136,107	-0-	136,107
EXCESS OF REVENUES OVER EXPENDITURES	17,114	147	17,261
OTHER FINANCING SOURCES (USES)			
Transfer in	147	-	147
Transfer out	-	(147)	(147)
TOTAL OTHER FINANCING SOURCES (USES)	147	(147)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	17,261	-	17,261
Fund balances, beginning of year	60,788	6,714	67,502
Fund balances, end of year	\$ 78,049	\$ 6,714	\$ 84,763

See accompanying notes to financial statements.

Township of Essex

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Net change in fund balances - total governmental funds \$ 17,261

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Depreciation expense (480)

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contribution 11,267

Change in net assets of governmental activities \$ 28,048

See accompanying notes to financial statements.

Township of Essex

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Essex, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County and covers an area of approximately 36 square miles. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Township of Essex. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the basic financial statements of the Township of Essex contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements).

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund and nonmajor fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major fund of the Township is:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for interest on long-term debt which is recorded when due.

5. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The budget was not amended during the current year.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and money market accounts. Investments consist of a certificate of deposit with an original maturity of greater than 90 days. Cash, cash equivalents, and investments are recorded at market value.

7. Property Tax

The Township of Essex bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Eaton County Treasurer on March 1. The Eaton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service. For the year ended March 31, 2006, the Township levied .9859 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2005 levy for property within the Township was \$46,216,372.

8. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 - 10 years
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9. Comparative Data

Comparative data has not been presented in the financial statements due to the Township's requirement to prepare audited financial statements only once every two years.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, the carrying amount of the Township's deposits was \$92,671 and the bank balance was \$92,851. As of March 31, 2006, the Township accounts were fully insured by the FDIC.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Township of Essex
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Concentration of credit risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2006, are as follows:

Due to General Fund from:	
Nonmajor governmental fund	\$ <u>731</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental fund	\$ <u>147</u>

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006, was as follows:

	Balance <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2006</u>
Equipment	\$ 2,000	11,267	-	13,267
Less: accumulated depreciation	<u>(2,000)</u>	<u>(480)</u>	<u>-</u>	<u>(2,480)</u>
Capital assets, net	<u>\$ -0-</u>	<u>\$ 10,787</u>	<u>\$ -0-</u>	<u>\$ 10,787</u>

Depreciation expense in the amount of \$480 was charged to the general government function on the Statement of Activities.

Township of Essex

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE F: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use.

The following is the fund balance reserve as of March 31, 2006:

Nonmajor governmental fund	
Reserved for perpetual care	\$ <u>6,714</u>

NOTE G: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for various risks of loss including liability, wrongful acts, auto, crime, and property losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level.

During the year ended March 31, 2006, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General government			
Board of review	\$ 1,000	\$ 1,003	\$ 3

REQUIRED SUPPLEMENTARY INFORMATION

Township of Essex

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 43,000	\$ 43,000	\$ 45,535	\$ 2,535
Administrative fees	11,000	11,000	13,601	2,601
Total taxes	54,000	54,000	59,136	5,136
Intergovernmental				
State				
Sales tax	79,000	79,000	78,951	(49)
Metro right of way	3,000	3,000	3,367	367
Total intergovernmental	82,000	82,000	82,318	318
Charges for services				
Fire runs	1,600	1,600	3,637	2,037
Land division	1,000	1,000	5,550	4,550
Total charges for services	2,600	2,600	9,187	6,587
Interest	700	700	637	(63)
Other revenue				
Refunds and rebates	500	500	191	(309)
Miscellaneous	-	-	1,752	1,752
Total other revenue	500	500	1,943	1,443
TOTAL REVENUES	139,800	139,800	153,221	13,421
EXPENDITURES				
General government				
Legislative	8,000	8,000	6,070	1,930
Supervisor/Assessor	19,000	19,000	18,800	200
Clerk	15,000	15,000	13,360	1,640
Board of Review	1,000	1,000	1,003	(3)
Treasurer	12,000	12,000	11,700	300
Elections	4,500	4,500	1,718	2,782
Township hall	4,000	4,000	750	3,250
Cemetery	8,000	8,000	5,646	2,354
Total general government	71,500	71,500	59,047	12,453
Public safety				
Fire protection	25,000	25,000	18,800	6,200

Township of Essex

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public works				
Drains	\$ 8,000	\$ 8,000	\$ 7,392	\$ 608
Highways, streets and bridges	70,000	70,000	48,568	21,432
Total public works	78,000	78,000	55,960	22,040
Recreation and cultural	2,000	2,300	2,300	-
TOTAL EXPENDITURES	176,500	176,800	136,107	40,693
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(36,700)	(37,000)	17,114	54,114
OTHER FINANCING SOURCES				
Transfers in	-	-	147	147
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(36,700)	(37,000)	17,261	54,261
Fund balance, beginning of year	60,788	60,788	60,788	-0-
Fund balance, end of year	\$ 24,088	\$ 23,788	\$ 78,049	\$ 54,261

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Trustees
Township of Essex
Clinton County, Michigan

As you know, we have recently completed our audit of the records of the Township of Essex as of and for the year ended March 31, 2006. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The Township should establish a dollar threshold to record significant assets purchased.

This year the Township has implemented Governmental Accounting Standards Board Statement No. 34 (GASB 34), which requires (among other things) that capital assets be recorded and depreciated in a new set of full-accrual basis "government-wide" financial statements. During the implementation of this new reporting model, we noted that the Township does not have a policy in place to specify a dollar threshold to define long-lived assets that would be capitalized and depreciated in the financial statements.

We suggest the Township adopt a capitalization threshold policy that would define assets that are to be included in the financial statements as capital assets. At the Township's option, this policy may be applied retroactively to the current asset list or it may be applied for future purchases only.

2. The Board should amend the Township's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the Township has not amended their investment policy to addresses the reporting requirements of GASB Statement No. 40.

Deposit and investment resources often represent significant assets of the Township's governmental and fiduciary funds. These resources are necessary for the delivery of the Township's services and programs, or to carry out its fiduciary responsibilities. Effective for the year ended March 31, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

3. The Township should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.). This issue was noted and reported in prior audit comments.

While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township Board provide a greater review and supervision of employee functions and procedures.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated July 5, 2006.

This report is intended solely for the information and use of the administration of the Township of Essex, and should not be used for any other purpose.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 5, 2006